



To: Wisconsin State Senate
From: Cory Fish, Wisconsin Manufacturers & Commerce
Date: March 3, 2020
Re: **Support Assembly Bill 873/Senate Bill 818**

WMC strongly supports Assembly Bill 873/Senate Bill 818 (AB 873/SB 818), which will help bolster one of Wisconsin's key economic sectors, agriculture. This legislation will provide the targeted help that Wisconsin farmers need *now* by providing an income tax credit to return a portion of property taxes paid on agricultural buildings. WMC respectfully requests you support this legislation.

AB 873/SB 818 creates a refundable income and franchise tax credit, the "farm buildings credit," the value of which is equal up to approximately 2/3 of the property taxes levied on buildings or other improvements used exclusively for farming. The bill passed unanimously out of Assembly committee and on the Assembly floor.

The last few years have been a challenging time for many members of Wisconsin agriculture due to low commodity prices and trade uncertainty. \$7,500 per producer will help farmers to reinvest in their business, pay their employees, and make ends meet.

Given Wisconsin's great fiscal health with over an \$800 million surplus, and the fact that Governor Evers just vetoed over \$250 million in tax relief, the Legislature should provide targeted tax relief where possible. The bipartisan nature of this bill and the built in protections for taxpayers creates an opportunity to get a tax cut signed into law that will help a vital Wisconsin economic sector.

Taxpayer Protections:

- **Limited Scope:** The credit only applies to buildings or improvements used exclusively for farming (explicitly excluding residential property). The maximum amount of the credit that may be claimed is \$7,500 for an individual, entity, or for a married couple filing jointly.
- **Sunset Clause:** The credit would take effect in tax year 2020 and sunset in tax year 2022.

WMC would like to thank Representative Tranel and Senator Marklein for introducing this vital bipartisan legislation and respectfully request that all legislators support it.



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State Senate Committee on Agriculture, Revenue and Financial Institutions
Testimony on Senate Bill 818 & Assembly Bill 873
March 11, 2020

Chairman Marklein and Committee Members:

Thank you for taking the time to hold a hearing on SB 818/AB 873 today. It is no secret that things have been tough in agriculture over past 5-7 years. Farm income is down 50% since 2013, while costs continue to go up for most farmers. The results have not been good. Our state is losing over two dairy farms per day (we lost over 800 in 2019 alone), and Wisconsin is unfortunately leading the country in farm bankruptcies.

This should be concerning to everyone in the state, whether you are directly involved in agriculture or not. Agriculture is a \$105 billion dollar industry, our state's second largest, and is responsible for the creation of nearly 430,000 jobs. It makes up about 16% our state's total economic activity.

Governor Evers, at his State of the State address, recently announced that he wanted to place a renewed focus on helping our state's agricultural industry. In our most recent budget, we created the Dairy Innovation Hub to explore and research ways to make sure the industry remains strong well into the future. However, the reality is that farmers really need help now.

This is why Senator Marklein and I have introduced a targeted Ag tax credit that would return a portion of the taxes farmers pay on their Ag buildings back to them in the form of a credit. The bill does the following:

- The credit is capped at \$7,500 per claimant
- Ag buildings would only qualify if they are exclusively used for farming purposes
- To qualify a farmer would have to show gross income over \$35,000
- The credit would cost about \$27 million per year, if all eligible individuals use the credit
- Farmers could claim the credit in 2020 online through DOR and then on their tax filings for 2021 and 2022.
- The bill sunsets after 3 years

The State Assembly amended the legislation changing the funding mechanism, clarifying the timing of the credit, and made some technical changes at the suggestion of the Legislative Fiscal Bureau and Department of Revenue to make the mechanics of the bill operate as better. It is our hope that the State Senate would adopt the same amendments for the companion bill as it moves forward.

Wisconsin recently received new fiscal projections for the rest of the biennium, showing that our state was in good fiscal shape. We will have an estimated \$800 million surplus at the end of the budget cycle. A portion of this surplus this will go into the state's "rainy day fund."

At a time when our farmers are going out of business at a record pace and our state is flush with better than expected revenues, it makes sense to return dollars to farmers who currently need them more than the state does. The State Assembly passed the amended version of this legislation 99-0. I sincerely hope you will join me in supporting SB 818/AB 873.

Thank you and I would be happy to take any questions.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

March 11, 2020

Senate Committee on Agriculture, Revenue and Financial Institutions Testimony on Senate Bill 818/Assembly Bill 873

Thank you committee members for hearing Senate Bill (SB) 818/Assembly Bill 873 (AB 873), which creates a targeted agricultural building income tax credit for Wisconsin's hard working family farmers. SB 818/AB 873 returns a portion of property taxes paid on agriculture buildings to farmers in the form of an income tax credit. Thank you Sen. Bernier and Sen. Testin for co-authoring this legislation.

Agriculture contributes \$104.8 billion annually to Wisconsin's economy. Our 64,793 farms directly account for more than 150,000 of the state's jobs. Throughout this legislative session my colleagues and I have worked hard to help farmers through initiatives such as the *Dairy Innovation Hub* and Truth-in-Labeling legislation. Still, many farmers have asked me, "What are you doing for farmers to help us **right now**?"

SB 818/AB 873 provides immediate relief for Wisconsin's hard working family farmers. It will put money in their pockets that can be used to pay the bills, buy feed, or upgrade equipment.

SB 818/AB 873 will provide immediate tax relief to farmers in the form of a refundable income tax credit. The credit begins immediately, tax year 2020, and sunsets after tax year 2022 and will be equal to 2/3rds of the property taxes levied on buildings and other improvements, excluding residential property, that are used exclusively for farming. This includes buildings such as the barn, milk parlor, or machine shed.

The credit is capped at \$7,500 each year to make sure that Wisconsin's small and medium-sized farms see the most benefit. In addition, in order to claim the credit, the farm must generate at least \$35,000 in annual gross cash income from farming, ensuring that the credit is going to help those who are trying to make a living by farming.

So farmers may claim the credit as quickly as possible, the Department of Revenue (DOR) will develop an online portal that will allow farmers to apply for the credit. Beginning July 1, 2020 farmers will be able to claim the credit for tax year 2020, based on the assessed value of farm buildings associated with the most recent property tax bill. The same process will apply for tax years 2021 and 2022. This will ensure that farmers are able to receive the money as quickly as possible, while giving DOR the time to set up the online portal.

The DOR fiscal estimate of the bill is \$27.3 million per year. This relatively small investment will help our farmers immediately with cash in their pockets and directly benefit Wisconsin's family farms.

AB 873 was recommended for passage by the Assembly Committee on Agriculture 15-0 on February 14, 2020. On February 18, 2020 AB 873 was recommended for passage by the Joint Committee on Finance 14-0, and on February 20, 2020, AB 873 passed 99-0 on the Assembly floor.

I have introduced two amendments to SB 818, both of which were adopted by the Assembly on AB 873. Senate Substitute Amendment 1 makes technical changes to the process for claiming the credit and clarifies which property tax bill is used to calculate the credit. In addition, Senate Substitute Amendment 1 funds the credit through the existing sum-sufficient appropriation for the Farmland Preservation Credit in lieu of providing a new sum-sufficient appropriation.

Senate Amendment 1 to Senate Substitute Amendment 1 makes additional technical changes to the process for receiving the credit and how much of the credit may be claimed if ownership is transferred in a given year. In addition, it requires DOR to request from each assessor, and requires each assessor to provide, an annual list of all buildings and improvements that are eligible for the credit.

SB 818/AB 873 is supported by numerous farm groups including the Wisconsin Farm Bureau Federation, the Wisconsin Corn Growers Association, the Wisconsin Farmers Union, the Wisconsin Dairy Business Association, and many others. Thank you again to the committee for hearing this proposal, and your timely action on the bill.

DATE: March 11, 2020

TO: Committee on Agriculture, Revenue and Financial Institutions

FROM: Wisconsin Farm Bureau Federation by Debi Towns, Sr. Director for Government Relations

RE: Support SB 818 - An income tax credit for the property taxes paid on agriculture improvements

Thank you for this opportunity to support of SB 818, a proposal for a refundable income tax credit on a portion of the taxes that have been levied on buildings and other improvements used exclusively for the business of farming.

This terminal bill, which has a sunset in three years, is especially important and impactful right now. The past four years have been really rough in production agriculture. The commodity prices have been below the cost of production - especially in milk and com. This means that every morning a dairyman goes to the bam wondering how much money he is going to lose that day. But as many of you are aware, one cannot just quit milking the cows. Cows are a dairyman's prime asset, and they must be milked to maintain their value.

Lots of folks have hung on by their teeth because they had equity built in their business. They could use that equity to help sustain through years of loss. But of course, that also means they are going without pay themselves or eating their retirement savings. We've also heard many stories over the past couple years of producers who used up their equity and could no longer finance another year of loss. Four years is a long time to pay for the privilege of farming.

SB 818 intends to recognize the economic loss suffered in Wisconsin over the past four years. This loss has been borne by individual producers who have personally funded dairy and crop industries which contribute so heavily to our state's economy. SB 818 will not solve all the problems in agriculture today - nor can it stop the changes we are seeing as technology brings us into a new decade.

SB 818 is capped at \$7,500 per producer per year. That may not sound like a lot but let me tell you what \$7,500 can do. It can pay a feed bill, it can pay for an equipment repair or upgrade, it can pay a milker for months. These are dollars that will recycle into Wisconsin's economy through vendors and employees. Agriculture supports more than the farmer - it is the lifeline to dozens of satellite industries.

In closing, I would again encourage you to support SB 818. This is a short-term bill that is just what Wisconsin's agriculture industry needs as a jump start. Commodities prices are beginning to show promise. We need to lift up the industry and recognize the important role it plays in Wisconsin's economy.

Thank you for the opportunity to share with you today.